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Faculty Working Papers

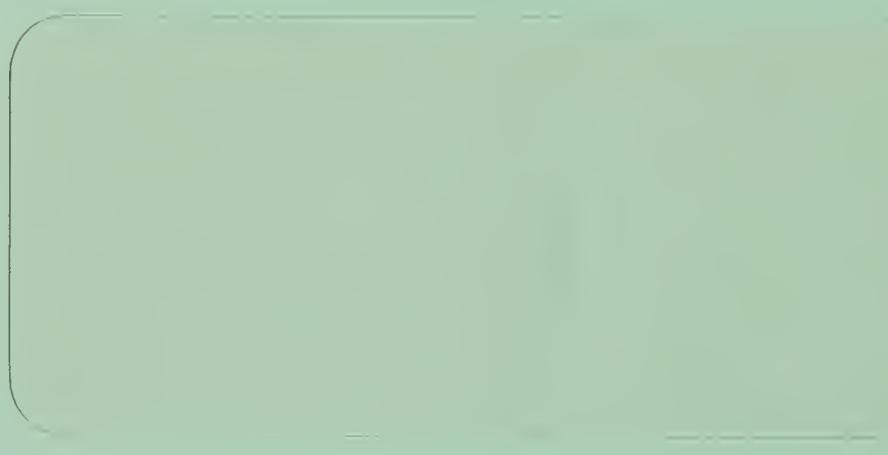
MARKETING, COMPETITION, AND PUBLIC POLICY:
A COMMENTARY OF THE WORK OF E. T. GRETHER

Lee E. Preston

#254

P. D. Converse Symposium Paper #5

College of Commerce and Business Administration
University of Illinois at Urbana-Champaign



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MARKETING, COMPETITION, AND PUBLIC POLICY: A COMMENTARY OF THE WORK OF E.T. GRETHER

by

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The academic year 1974-75 marks the Golden Anniversary of E.T. Grether's career of teaching, research, publication and professional activity in the field of marketing. From his doctoral dissertation in 1924 to leading articles in both the Journal of Marketing and the California Management Review in 1974, his bibliography contains more than two hundred books, monographs, articles, chapters, reports, reviews, and miscellaneous presentations--many of which have been reprinted, translated, and so absorbed into the literature that one can scarcely distinguish any longer between Grether's original thoughts and the main body of marketing knowledge itself. Indeed, in preparing this review I have rediscovered many thoughts, phrases, and examples that I have been using in my own teaching and writing for so very long that I had forgotten their sources, and--in more than a few cases--thought that I had invented them myself. It is a little late to go back now and put in all those footnotes, but not too late to confess that these were unconscious borrowings--or, better, absorptions--by a student and colleague, rather than conscious plagiarism or intentional oversight. I may note a few of these instances in the footnotes as we proceed.

Grether's book reviews alone would make a sizeable volume, and the fact that he has digested, evaluated, reacted to, or integrated into his own work the main themes from a whole library of major works in economics and marketing over a half century is in itself an incredible achievement. Interestingly, one of

Grether's earliest reviews praises the first edition of Paul D. Converse's Elements of Marketing for the author's attempt to combine a variety of analytical approaches "in a formal fashion", and for "an intensive combing of sources... an extraordinary range of materials..." (2, 1930).* The survey and synthesis of a wide variety of sources and analytical approaches which Grether praised in Converse's work were, of course, to become characterist of his own work in the following decades. The authors and volumes gathered in Grether's review file constitute a galaxy of giants and classics: Keynes and Hansen; Machlup and Galbraith; Commons and Nourse; Chamberlin and Clark; Alderson, Andrews, Barger, Beckman, Borden, etc. etc. The list is endless; the range incredible; and the reviews themselves (or at least those I have sampled!) are careful, thoughtful, generous, and reflect a mind that appraised, learned from and utilized every new viewpoint, each piece of analysis, in its own continuing development.

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* Numbered references to the works of E.T. Grether are listed in chronological order at the end of the paper.

Marketing and Public Policy

We honor Grether here today specifically for the slender volume Marketing and Public Policy, published in 1966, and the set of closely related papers that comprise about half of his published work over the past decade. When I started to survey this material, I was particularly relieved to be reminded that Grether had received the Converse Award once before--in 1955, for his work on resale price maintenance--and I thought that this earlier date would, at least, provide me with a clear cut-off and starting point. This hope for an "easy way out" proved illusory. On the contrary, as I reviewed the whole situation, I came to realize that my central observation--and therefore the point requiring greatest emphasis--is that the theme of "marketing and public policy" is not a latter-day addition or new direction in Grether's work; it has been the great theme of his entire career. Indeed, the many topics and special studies that appear so widely scattered, specialized, and unrelated--as well as the long years of public service, university administration, and private consultation and advising--all come together in this central theme. The way I see it now, this past decade of work represents not a new direction but rather a synthesis, distillation, and extension of the wide-ranging activities of the previous forty years. There is a lesson here for younger scholars: Don't be afraid to pursue the grand conception; and don't resist the pull of varied detailed projects and critical needs that provide opportunities

for learning and experience; but plan to work hard every day, and in your post-retirement decade you can pull it all together, make your most outstanding contributions, and be crowned with every honor--most of them twice!

The fact that "marketing and public policy" has been the central theme of Grether's entire career is sufficiently significant that I must elaborate it a little. Marketing, as we understand it, is fundamentally a managerial activity. Part III, the central functional section of Marketing in the American Economy (7, 1952), begins with an emphasis on "the primacy of ownership and control". Changes in these "fundamental phenomena" are accomplished through "buying and selling (which) are thus the essence of marketing". The management of buying and selling, and of the accessory activities preceding and following these critical events, involves decision and action by individual managerial units, and interaction among such units, so that the core of the "marketing" side of the "management and public policy" equation is to be found in private business management.

The marketing management theme is present in Grether's work from the very beginning. His first published paper dealt with retail merchandising (1, 1927), and a succession of studies of purchasing followed immediately. Little wonder that when he came to summarize "the essence of marketing" a quarter century later he found it in "buying and selling". And, although Grether's greater emphasis throughout his career has been on the interaction of managerial units (rather than households)

in buying and selling, as early as 1931 he had published original research on "consumer attitudes", a subject that some people think totally new within the last decade (3, 1931).

The "public policy" side of the "marketing and public policy" equation rests, of course, on a different perspective. One conceives of a social environment beyond the scope of the individual managerial unit, and of all such units, and beyond the single market, and all such markets. This environment is composed of the larger society, with its many dimensions and institutions, and contains the "public"--including the managerial units themselves, of course, and their employees and constituents --which constitutes the source and reference point for "public policy".

This societal theme has also been with Grether from the beginning. His doctoral thesis dealt with the organic conception of society suggested by John Ruskin and argued and elaborated in the work of John A. Hobson as a "theory of social economics". Grether felt that Hobson went too far in viewing the "social will as an economic force" and "society" as an independent entity, apart from its component units, that might seek "to realize its own ends" (4, 1935, p. 155). Rejecting this extreme conception, Grether nevertheless carried away from Hobson a strong emphasis on human and social values, as well as Hobson's strong objection to the social elitism of Ruskin, in favor of democratic processes through which diverse and broad-based groups would come to define the "social will" through free

interactions. Grether, of course, moved away one further step to the view that no single "social will" was to be posited, but that a variety of social objectives would be defined and redefined through the dynamism of the competitive market process.

Gathering the Data

The managerial and social themes are strongly interwoven in the two major areas of empirical research for which Grether is most widely noted--resale price maintenance (RPM) and geographic economic and market analysis. The two topics themselves are closely linked, since it is only within some geographic areas--and under the political purview of some geographically based units of government--that RPM can be practiced. The contrast between British and U.S. experience with RPM arises partly from geographic differences in the size, density, and proximity of retail markets in the two countries; and these underlying relationships figure prominently in Grether's analysis of both the causes and the effects of managerial behavior and public policy with respect to resale price control (5, 1939).

These research topics also led Grether back to the larger view of the whole economy and its constituent elements which had both interested and troubled him in the analysis of Ruskin and Hobson. RPM itself was, after all, a phenomenon of the Great Depression. Although the British experience began somewhat earlier, the use of, and interest in, RPM increased greatly as prices fell, markets shrank, and competitive pressures intensified.

At the same time, Grether's interest in geographic market relationships--always essential to the study of retailing--increased considerably because of two major activities beyond the range of the usual professional experience. One was a period of public service that began with a consultancy to the

NRA in 1935-36, and went on to include appointments as special consultant to the OPA (1944) and official of, and consultant to, the National Security Resources Board (1948-50). From these experiences Grether was able to make first-hand observations of government efforts to manage or control prices and to balance both prices and quantities of commodities among different parts of the country and different uses. This work involved price administration and quantity allocation on a large scale, and contributed both to a broadened conception of the nature of the great economy in which all firms and markets are embedded, as well as to a strong conviction that attempts to "manage" this vast system--rather than let it define and pursue multiple goals through free-market and political interaction--would be both unwise and, ultimately, ill-fated. During this same period, Grether was extremely active in a variety of projects relating to the California economy--including general state-wide problems of economic structure and employment, and specific issues, such as San Francisco's position as an international trading center, the development of water resources, etc.

Publications arose from all of these experiences, of course: appraisals of government price control, analyses of specific industries and markets with special reference to geographical considerations, and even a public debate on the question "Should industry move west?" The particularities of these varied activities are, for our purposes, not very important. The critical fact is that from this wealth of experience, Grether

was able to develop a particularly broad and holistic view of our larger society, and in particular of the many and varied economic and political forces, and managerial and human motivations, that are at work within it. In short, he was, perhaps unintendedly gathering the data for future research and analysis.

Marketing in The American Economy

A substantial part of this experience--a quarter century of research, teaching and public service--is reflected in Grether's contribution to Marketing in the American Economy (7, 1952). In this volume he was able to develop, along with his distinguished collaborators, Roland S. Vaile and Reavis Cox, his own special view of the nature of marketing (i.e., "buying and selling") and a number of areas of special emphasis that have remained important in his work up to the present time. One of these is "the state of the market", a conception familiar to all three of these authors because of their strong common interest in basic commodities and agricultural products. In these large and important areas of market trading--areas that apparently have been dropped entirely from most marketing curricula and research, and assigned to the Departments of Agricultural Economics, Geography, or to limbo--the notion of the central market, with its behavioral properties and performance characteristics quite apart from the actions and desires of any particular buyer or seller firm, is clear and conspicuous. In later critical references to the absence of a "market" concept in the work of others, Grether is referring back to this fundamental empirical and theoretical conception.*

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* Here is the place to insert one of the footnotes previously omitted in my own work. When I began Chapter 1, page 1 of Markets and Marketing with the question "What is a market?" I feel certain that I was following Grether' example, although unconsciously and without any acknowledgement. A quick survey indicates that this is the only text published within the last ten years that begins with "the market", rather than "the marketing function", as the initial and central concept. (Lee E. Preston, Markets and Marketing: An Orientation, Glenview: Scott, Foresman & Co., 1970.)

At the same time, Grether emphasizes differentiation, both for the specific product and for the individual firm, and both as a response to varied and changing tastes and demand sources--and, hence, as a "welfare" consideration--and as an element of competitive advantage. "Enterprise differentiation" appears as a key original concept (p. 365), derived from his general analysis of seller behavior and, particularly, the detailed analysis of competition among firms in the distributive trades, for which differentiation on the basis of individual products, brands, or other supply-linked considerations is typically limited.*

A distinctive feature of Marketing in the American Economy, of special importance for our purposes, is its emphasis on the role of government. The authors refer repeatedly to the "public and governmental interest" in the behavior of individual managerial units. Issues selected for special emphasis are (1) supply and price of strategic materials, with examples of coal and oil; (2) protection of small producers, particularly in agriculture, and the creation of countervailing power (the concept, but not the term) on their behalf; (3) resale price maintenance; and (4) geographic problems, and the likelihood and impact of geographic price discrimination. Three out of four of these issues remain as prominent today--perhaps even more prominent--as in 1952, although significant marketing

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* The concept of "enterprise differentiation" and its connection with consumer behavior was emphasized by Grether when he received the Converse Award for the first time in 1955 (9, 1956).

analysis has been applied to only one of them (agriculture), and in that case with rather mixed, and possibly "anti-marketing", results.

Apart from recognition of the general notion of a "public interest" and a government role in marketing, the discussion in Marketing in the American Economy stresses (1) the facilitating role of government in providing a framework within which marketing forces can operate freely, and (2) a secondary role as partner, competitor, countervailer in conjunction with or opposition to private interest. A stronger theme, derived from the OPA experience and an analysis of agricultural markets, is the use of government power to hinder the flow of trade (through taxes, licences, and control of freight rates), suppress viable competitive alternatives (margarine) and generate "anti-marketing" controls, as in the NRA experience. Although some "private restrictionism"--monopoly advantages based on differentiation, ownership, etc.--is inevitable, the notion that all such situations should be eliminated, or that government actions should be taken to correct and/or counterbalance them, is strongly resisted (p. 712). In addition to all the previously mentioned counter-considerations, Grether underlined the point, now widely acknowledged, that government regulation will, in all probability, serve to strengthen the power and fulfill the goals of private and particular interests, rather than those of the public at large.*

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* The dangers of government regulation were strongly emphasized by Grether at a paper presented at this symposium in 1953 (8, 1954).

One further point requires emphasis in conclusion. The title of the 1952 volume was an apt one. That is, marketing was seen as an activity within the entire American economy, not as a special set of sub-functions or merely a managerial activity. This broad perspective is reaffirmed in the concluding chapter, not only with respect to the role of government, but broadly with respect to the role of marketing, and of economic activity in general, within society as a whole. Broad social objectives--although undefined in this analysis--form the purpose and framework within which economic activity, including marketing, occurs. Moreover, the means by which objectives are accomplished is a part of the objectives themselves. That is, the economic aims of the larger society or of an individual unit within it cannot be fully defined without attention to the way in which those aims are, or are not, to be accomplished. For the authors of this volume, a social goal critical in itself, and doubly critical for the achievement of other objectives, is that "much of the economic decision-making... remain in private hands ... (and) be regulated through marketing" (p. 716).

Anti-Trust Experience

One more aspect of Grether's work requires attention before we draw the pieces together. This is his special emphasis--extensive and, I can say on the basis of personal experience, intensive--in professional anti-trust work. This activity, of course, extends back to the very beginning of RPM studies. However, it can be more explicitly dated from his appointment as an economist member of the Attorney General's National Committee to Study the Anti-Trust Laws (1953-55), followed by service as Special Economic Consultant to the Anti-Trust Division of the U.S. Department of Justice (1957-58). This latter appointment, jointly shared with Professor Carl Kaysen of Harvard, led to a report, "Economic Analysis in the Anti-Trust Division" which was neither published nor implemented, but which generated a volume of discussion and argument of remarkable proportions. Grether discussed the substance of this report on one occasion shortly after it was completed and has referred to various aspects of it on several subsequent occasions (10, 1958; 11, 1959; 19, 1967; 24, 1973).

Throughout this work, Grether's main theme has been an affirmation of the role of government in promoting and preserving competitive forces within the economy, and the pursuit of this role through well selected and carefully researched legal-economic cases, rather than through a substantial extension of *per se* rules, passage of major pieces of new legislation, or an extensive program of compulsory industrial reorganization and/or direct

regulation. This position can be interpreted as an endorsement of the "traditional anti-trust approach". However, Grether has criticized actual practice under that approach for faint-heartedness, lack of overall direction, and--in particular--neglect of basic analysis of the way that firms and markets operate and thus of the fundamental nature and sources of the competitive forces that are to be preserved and strengthened.

The Main Theme

We now come to Marketing and Public Policy (17, 1966) and the group of closely related papers (13, 1963; 14, 1963; 16, 1965). Grether's first published paper with this title (10, 1958) was presented at a conference in Berkeley in 1958.* In this paper, Grether began by noting the absence of a "systematic and effective conceptual framework of analysis", both for the "marketing" as a business practice and economic phenomenon and for the general study of "public policy", particularly as it affects the survival and conduct of private economic activity. Improvements in conceptualization and analysis at either end of the "marketing and public policy" equation would, in his view, contribute to improved understanding and action on the other side.

The bringing about of such improvements--defining the overall conception and creating a framework for detailed analysis of significant interactions--became the purpose of Grether's subsequent work and led directly to the 1966 volume. The key public policy role, defined there in the title of Chapter 3, is "Maintaining the Rule of Competition". The institutional and behavioral framework arising out of this public policy then becomes part of the environment of the individual firm. Within

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* This conference occurred shortly after my own arrival in Berkeley as a junior faculty member. It was the first such gathering I had ever attended; the first time I ever heard Grether speak; and it served as my introduction to this particular view of this particular subject. I was at the same time getting ready to teach my first course in marketing, and using--of course--Marketing in the American Economy as the text.

this larger environment, the firm finds its own specific market setting and, within this setting, pursues its own goals.

The usual array of marketing techniques, functions, and practices are the means by which the goals of the enterprise are pursued within the market environment, and there is significant public interest and public policy with respect to most of them. Grether reviews these specifics briefly, emphasizing the interplay of managerial and social objectives and behavior in each instance. After this review, he returns to the broader conception--that, from a public policy perspective, the various detailed regulations and prohibitions are themselves simply techniques for achieving the overall policy goal, the maintenance of dynamic competition in the market economy. The analogy between the firm's view of marketing techniques and a "social" view of policy techniques--i.e., that the techniques are in each case means of achieving fundamental long-term objectives--is clearly indicated.* Grether's overall conclusion stands in sharp contrast to conventional observations of a drift toward centralized control and decision-making (private and public) within our society, and particularly toward government control and regulation of economic activity. In his own words: "Given the democratic view and political wisdom, it may be even more feasible than it was in the past to maintain a private enterprise base and an effective rule of competition" (p. 111).

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* Again, I have to confess that I seem to have carried this basic analogy one step further (and perhaps a step further than its original author would care to go!) (Lee E. Preston & James E. Post, Private Management and Public Policy, Englewood Cliffs, New Jersey: Prentice-Hall, Inc., 1975). I will not try to lay the blame for that particular conception of Grether, but he certainly deserves a share of any credit that may arise.

Subsequent Developments

The 1966 volume was no more an end of Grether's analysis of its subject than it was a beginning. It is however a benchmark, and the subsequent papers have drawn upon it and extended its argument further in several directions. (See especially his joint article with Robert J. Holloway, which received the Alpha Kappa Psi Award for 1967 (20, 1967).) Of particular significance is his attempt (21, 1969) to persuade business leadership of its own responsibility for the preservation and strengthening of competitive forces throughout the economy. This argument contrasts sharply with the preachments of corporate "do-goodism", as well as with both the radical and "Chicago" view that business behavior cannot and should not be other than narrowly self-seeking. Grether acknowledges that classical models of the firm and its social and market relationships are inadequate for the conception that he has in mind, but argues that public-private interaction in "creative participation" should permit new relationships to evolve. The "primary responsibility" of the firm is, of course, "to produce and distribute goods and services efficiently in competition," but a single firm alone ("even General Motors") can rarely provide "an appropriate, general solution... of issues of broad, social concern..." The new perspective suggested does not require "a sharp break with the past or departure from the most basic tenets of our former society." The orientation is, like the working of competitive markets, pragmatic, adaptive, and flexible. As in

several recent papers, Grether emphasizes here the desirability of "internalizing externalities", so that social costs are converted into private costs, and thus decisions about them can be mediated effectively through the market mechanism (see also 23, 1973, esp. p. 397).

Three of the most recent papers (22, 1970; 25, 1974; 26, 1974) develop and formalize to some extent the "full market structure approach" that has become the central conception of Grether's marketing and public policy analysis over the past decade. This evolution in his thinking was foreshadowed by his earlier review of Theory in Marketing: Second Series (15, 1965). In this appraisal he praised the essays dealing with broad philosophical and social-behavioral conceptualizations--although he felt that most of the contributions in these areas were a good distance away from "marketing", as ordinarily understood--but viewed with less enthusiasm the contributions of "expert technicians... to the solution of special problems or to the refinement of techniques" (p. 193). His general impression is one of scatteration rather than integration, and he argues that a "refurbished" treatment of more traditional materials might yield a larger and more useful collection of results.* In contrast with either an excessive emphasis on the managerial perspective (his major criticism of Alderson and the Aldersonians), and with a holistic philosophical analysis as well, Grether

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* He cites, in particular, the work of John Howard, who shares in this year's Converse Award, as an example in this connection (15, 1965, p. 194).

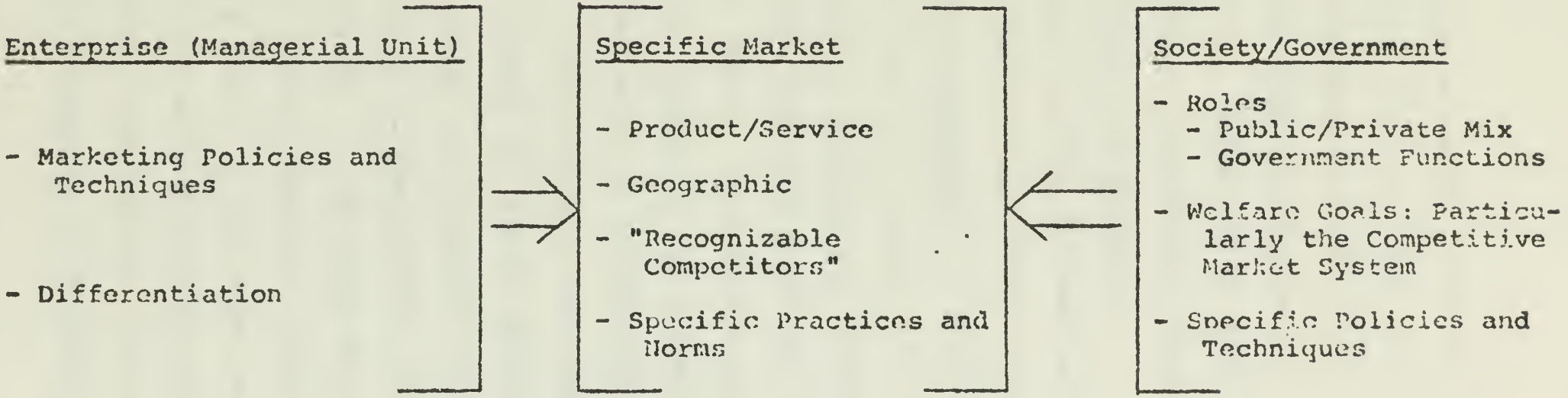
argues that "Markets and the market system, instead of being considered in the environs or outside the playing field, can continue to be the first base" (p. 194).

The elements of the "full market structure approach", as I now understand them, are summarized in Exhibit I. On one side, we have the individual enterprise, the managerial unit, with its own distinct characteristics and, in particular, its array of potential marketing policies, including the development of competitive differentiation (on both a product/service and an enterprise basis) from other units within the system. On the other side, we have society at large and the units of institutional government through which public policy evolves. The roles of government in society are defined by historical processes and legal arrangements, as well as by current needs. Utilizing these roles, government, on behalf of "society", pursues a variety of welfare goals, prominent among which is the maintenance of the competitive market system itself. A "full market structure analysis" aims at an explanation of behavior and interaction between the two, with special emphasis on the sub-segments of the social system that constitute the specific market environments of the enterprise itself.

The critical elements of the analysis are (1) the product/service dimensions that delineate the relevant market or markets; (2) the geographic limits, including cost factors, that complete the market definition; (3) "recognizable competitors"--that is,

EXHIBIT I

ELEMENTS OF GRETHER'S "FULL MARKET STRUCTURE ANALYSIS'



those other enterprises whose behavior influences market outcomes and, hence, must be taken into account both in order to explain such outcomes and either (a) influence them on behalf of the individual enterprise or (b) influence them in pursuit of social or public policy goals; and (4) the specific practices, procedures, standards, and norms that may be relevant to the specific market in question.

This analytical model, although not all of the terminology, can actually be found in Grether's contribution to the first volume of Theory in Marketing (6, 1950) and his admiring tribute to the late J.M. Clark (12, 1962). In the first, he cited with approval Chamberlin's monopolistic competition version of the theory of the firm, and then posed the following dilemma: Either the analyst must decide "to hold the analysis to the level at which hypothetical algebraic and geometric answers may be found or to broaden--and hence to loosen--the analysis in the interest of introducing a wider contact with important data... My own predilection is toward the latter procedure... The risks of this procedure should be no greater than those involved in the continued refinement of theoretical analysis without adequate reference to reality..." He urged the marketing analyst to "jump" off this formal plateau into the flowing stream of market realities" (6, p.116). In the paper on Clark, Grether emphasized the dynamics of the marketing system and the speed with which the "flowing stream" was moving. The essence of market competition is "not a mechanical adjustment, but a continued series

of moves and responses... (hence) the regulation of competition must be approached in time perspective and with flexible concepts..." (12, 1962, pp. 75 & 81).

Some Criticisms

This mention of Chamberlin, and of the 1950 paper as well, provides as good an excuse as any to introduce a few critical remarks. Grether was certainly a pioneer in introducing the Chamberlinian model into marketing analysis. Indeed, he first mentioned it in 1935 as an extension of Hobson's basic conception that monopoly returns were commonplace throughout the economy (4, 1935, p. 160). The Chamberlin and Robinson conceptions receive numerous mentions in Marketing in the American Economy, but here his interpretation is more critical. He condemns their analysis for its implication that "actual competition" is a mixture of "'good' (competitive) and 'bad' (monopolistic) elements. It is probably unfortunate that the broad area in which all actual competition operates should be labelled 'monopolistic' and 'imperfect' competition." More important than the effect on terminology, however, is the effect on analysis: "It is highly unrealistic to compare results under actual competition with those of hypothetically pure or perfect competition, which cannot be attained in reality... It is much too simple to assume that the consumer demand curve as it was prior to intervention by the seller was in some sense the 'true' demand curve which should be used for purposes of economic appraisal" (7, 1952, p. 370-71).

This discussion, both favorable and critical, served to underline the importance of the Chamberlinian concept for the entire field of marketing. Indeed, Grether presided at the session here at the University of Illinois in 1953 when

Chamberlin himself received the Converse Award. However, when Grether came to reflect more specifically upon Chamberlin's impact on the field in 1967, he revised his judgement. In an independent check of the literature, he found Chamberlin unmentioned in a large majority of the 140 books selected for scrutiny. Furthermore, he found that Chamberlin had failed to influence some of the key "influentials" within the marketing literature, particularly Alderson, and had also had little impact on a broader "marketing-in-the-economy" perspective. Although there had been a certain amount of Chamberlinian impact in the Scandinavian literature, Grether concluded that the 1953 Converse Award prediction that Chamberlin's impact on marketing thought would "widen through the years" had proved inaccurate (18, 1967).

My own judgement on this matter is directly the opposite. That is, it seems to me that the great bulk of the marketing literature that has anything at all to do with product differentiation, pricing, advertising, and other marketing management variables, has become excessively--if, perhaps, unconsciously--Chamberlinian in character. The Chamberlin model is, in fact, the dominant model of the marketing textbooks and classrooms.* The Chamberlinian conception of the firm and its market--like the Keynesian conception of the macro-economy--has penetrated

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* To cite but one example, the most influential and successful new marketing text published within the past decade--Kotler's Marketing Management (Prentice Hall, 1967)--is based entirely on the concepts of product differentiation and market segmentation by the individual enterprise, which functions in competition with other enterprises similarly structured and motivated--i.e., on a model of Chamberlinian monopolistic competition.

our consciousness so deeply that we no longer recognize it as one among many theoretical alternatives, and we are totally unaware of its omissions and pitfalls.

Reference to the original Theory in Marketing paper (6, 1950) also leads directly to my second critical comment. Although that paper did not mention "public policy" explicitly, in the conclusion Grether reached out toward the context of marketing and emphasized the need to "find means of coming to grips with the elements of society. We will be forced increasingly to appraise our utilization of natural and human resources in terms of contribution to the strength and security of the nation as a whole" (p. 121). This observation might be said to mark the beginning of the strong public policy emphasis that characterized his work for the next 25 years. Nevertheless, the work itself did not succeed in identifying the "elements of society" that are of critical significance for the formation and evaluation of public policy. On the contrary, when he came to offer some highly perceptive concluding remarks to the AMA Workshop on Public Policy and Marketing Practices held at Northwestern in 1972, he found the search for a new framework of social values reflected in some of those papers "a rer of record I have heard before", and drew parallels with hi analysis of Ruskin and Hobson of a half-century earlier. He gave more space and more serious attention to the current topical issues--"the ecological imperative", technological factors, and consumerism--and reserved his strongest support for the need to maintain and

extend "the reality of consumer sovereignty" within an environment of market competition (23, 1973). The same themes recurred in his AMA address of 1973--which was published and led to his second Alpha Kappa Psi Award the following year (26, 1974)--but again the implications of "full consumer sovereignty" for the formation of public policy itself, and the usefulness of marketing concepts in both analyzing and implementing the process of public policy formation, were not explored.*

If I were predicting--or even suggesting--Grether's research agenda for the next decade, it would involve the application of marketing concepts and analysis--including structure, power, channels, attitudes, etc.--to the process of public policy formation and to the discovery of policy goals and preferences. In such an undertaking, "society" would be viewed both in the aggregate (but not as a monolithic entity) and in terms of the individual and the many groups and constituencies that compose it (just as firms, industries, areas, and markets compose the economy.) A genuine marketing perspective would certainly enrich and strengthen the analysis recently put forward by J.K. Galbraith, one of Grether's most famous students, in Economics and the Public Purpose (1973), and should permit some progress beyond the "institutional systems" framework for policy formation and analysis suggested by James Post and myself (Private Management and Public Policy, 1975).

* This omission is all the more curious because Grether had chosen this particular aspect of marketing--"... in terms of a broad conceptualization of social relations and responsibilities..."--and in particular Hans Thorelli's suggestion of "an interesting parallelism between politics in a free society and marketing in a free society, in that both must reflect 'reasonably well the preferences of the population'" as special features for praise in his otherwise not very favorable review of Theory in Marketing: Second Series (15, 1965, p. 192).

Concluding Comments

I shall not attempt to conclude this paper (which is already too long) with any further summary or synthesis of Grether's half-century career, or even of the main themes that I have been able to touch upon here. Rather, I want to draw final attention to one highly significant and extremely valuable aspect of Grether's work--his traditional emphasis on the large diversified firm as one of the basic behavioral units in the economy.

When large, multiple-activity organizations are considered from the outset as natural phenomena, rather than unexpected exceptions, such phenomena as diversification, multiple performance criteria, internal synergisms or antagonisms, etc., appear not as "problems" that undermine basic conceptions, but rather as intrinsic characteristics that must be encompassed within any useful analytical framework. Grether's suggested framework is, of course, the "full market structure analysis" which has evolved, first implicitly and then explicitly, in his own work over the past several decades. Within this framework, the market impact of the conglomerates--which continues to merit Grether's description as the "true frontier issue"--is to be analyzed "product line by product line, division by division... (in search of) recognizable competitors... and recognizable areas of competition" (25, 1974, p. 64). The result of such analysis is a composite picture of the large conglomerate in its market setting, something very different from the frightening bugbear that some critics seem to visualize, and also different from the magical source of infinite synergies and scale economies imagined by some enthusiasts.

Grether believes that the traditional public policy of market competition can be maintained, even in an economy dominated by large conglomerate giants, through a series of carefully selected, fully adjudicated, anti-trust cases within the conventional legal framework. This process can be strengthened by the internalization of externalities, particularly with respect to the physical environment, and by the active promotion of consumer sovereignty, especially through dissemination of market information--including, very importantly, investor market information, such as that now being sought by the Federal Trade Commission in the "line of business" reporting system. Grether is too wise to see our present economy as a sparkling pond full of Chicago-style competitors. Yet, neither is our "marketing economy" a stagnant cesspool, requiring complete drainage and redesign (or paving-over). Thus, Grether is distrustful of Galbraith's "planning system" model and doubts the need for industrial reorganization within key industries, as suggested by Senator Hart. In these respects he is more optimistic than I am, but if we can succeed in applying the marketing concept, and appropriate analytical techniques, to both sides of the "marketing and public policy" equation, his optimism may prove to be justified.

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